

Message Text

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PAGE 01 ROME 08593 101807Z
ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 COM-02 AGRE-00 CEA-01
CIAE-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
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FM AMEMBASSY ROME
TO SECSTATE WASHDC 2666
INFO AMEMBASSY BRUSSELS
AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
USMISSION GENEVA

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USEEC ALSO FOR EMBASSY
USMIN ALSO FOR MISSION

E.O. 11652: NA
TAGS: ETRD, MTN, IT
SUBJECT: GOI VIEWS ON MTN

REF: (A) ROME 7935

1. ECMIN AND EMBOFF CALLED ON DIRECTOR GENERAL FOR TRADE AGREEMENTS, RAFAELLO TRIOLI, AND FRANCESCO SIMEONE, DIRECTOR DIVISION I (GATT, U.S., JAPAN, ETC. AFFAIRS) OF MINISTRY OF FOREIGN TRADE ON MAY 9 TO DISCUSS STATUS OF MTN AND RELATED MATTERS. TRIOLI CHARACTERIZED LIMITED OFFICIAL USE

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PAGE 02 ROME 08593 101807Z

CURRENT SITUATION IN MTN AS QUIET PERIOD WITH SERIOUS WORK PROCEEDING ON TARIFF CUTTING. HE EXPECTED AGREEMENT ON ALL FUNDAMENTAL ASPECTS OF NEGOTIATIONS TO BE COMPLETED IN JULY. THIS WOULD BE FOLLOWED BY PERIOD OF QUIET TIDYING UP OF LOOSE ENDS AND DETAILS. FINAL AND SUCCESSFUL CONCLUSION COULD BE EXPECTED IN JANUARY, 1979.

2. ECMIN ASKED ABOUT SIZE OF EC WITHDRAWAL LIST RECENTLY CIRCULATED,

OBSERVING THAT PRELIMINARY LOOK INDICATED IT WAS NEARLY TWICE SIZE OF U.S. EXCEPTIONS. SIMEONE RESPONDED, WITH SOME SURPRISE, THAT HE DID NOT SEE HOW THAT COULD BE THE CASE AS EC NEGOTIATORS HAD USED GATT SECRETARIAT DATA TO ENSURE THAT COVERAGE CAME OUT AT \$1.8 BILLION, WHICH HE SAID WAS EQUAL TO U.S. EXCEPTION COVERAGE. SIMEONE THEN OBSERVED THAT, AS SOME WITHDRAWALS AND EXCEPTIONS ONLY PARTIAL, IT WAS NOT SO SURPRISING THAT CALCULATIONS COULD DIFFER.

3. TRIOLI CAUTIONED THAT SIMEONE WAS REFERRING ONLY TO THE EC LIST OF POSSIBLE WITHDRAWALS THAT ALREADY HAD BEEN CIRCULATED AND NOT TO SECOND LIST THAT MIGHT BE USED TO BALANCE OUT DISEQUILIBRIA IN THE NON-TARIFF MEASURE (NTM) NEGOTIATIONS. HE MENTIONED, AS AN EXAMPLE, GOVERNMENT PROCUREMENT, WHERE THE U.S. MIGHT NOT BE ABLE TO MAKE AS GOOD AN OFFER BECAUSE OF LACK OF CENTRAL CONTROL OVER STATE AND LOCAL GOVERNMENT PURCHASING PRACTICES AND PERHAPS BECAUSE OF THE "BUY AMERICA ACT." HE THEN MADE THE BY NOW STANDARD ITALIAN COMMENT THAT THE TARIFF-CUTTING EXERCISE WAS NOT SO IMPORTANT AS IT MIGHT HAVE BEEN SEVERAL YEARS AGO AND WAS BECOMING EVER LESS IMPORTANT AS COUNTRIES WERE NOW ACCEPTING WITHOUT VERY MUCH DIFFICULTY EXCHANGE RATE SWINGS OF AS MUCH AS 20 PERCENT OVER A FEW MONTHS TIME. HE ALSO NOTED THAT THE U.S. INSISTED ON MAINTAINING A SORT OF HARDCORE "FORTRESS" AREA OF HIGH TARIFFS AND EXCEPTIONS THAT REDUCED MEANINGFULNESS OF TARIFF CUT FORMULAS. IMPORTANT THING, HOWEVER, HE CONCLUDED, WAS TO REACH SUCCESSFUL CONCLUSION OF NEGOTIATION.

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PAGE 03 ROME 08593 101807Z

4. WHEN CONVERSATION LATER RETURNED BRIEFLY TO WITHDRAWALS LIST, SIMEONE REMARKED THAT DURING EC MEMBER COUNTRY DISCUSSIONS ON SUBJECT GERMANS HAD STOUTLY DEFENDED CONCEPT OF NO EXCEPTIONS, NO WITHDRAWALS AND MAXIMUM POSSIBLE LIBERALIZATION. WHEN OTHER MEMBERS SUCCESSFULLY PRESSED FOR INITIATING SOME ACTION ON WITHDRAWALS, HOWEVER, FRG DEL TOLD ITALDEL (IN ASIDE) HOW GRATEFUL FRG WAS THAT GOI HAD INSISTED ON INCLUSION OF CERTAIN ITEMS ON WITHDRAWAL LIST SUCH AS SYNTHETIC FIBRES.

5. ECMIN SAID THAT AMONG NTM NEGOTIATIONS, SUBSIDY/COUNTERVAILING DUTY WAS ONE OF MOST IMPORTANT AND THAT WHEREAS THERE HAD BEEN ALMOST NO MOVEMENT UNTIL FEW MONTHS AGO THERE NOW SEEMED TO BE BETTER PROSPECT OF REACHING AN AGREEMENT (GENEVA 6417). SIMEONE RESPONDED THAT HE THOUGHT AN AGREEMENT WOULD BE REACHED, THAT SOMETHING WOULD BE WORKED OUT ON SUBSIDIES IN RETURN FOR ADOPTION OF INJURY TEST IN COUNTERVAILING DUTY CASES, BUT THAT IT WOULD BE IMPOSSIBLE FOR ITALY TO GIVE UP REGIONAL AIDS FOR MEZZOGIORNO AND OTHER DEPRESSED AREAS OR RECAPITALIZATION FOR STATE ENTERPRISES TO MAINTAIN EMPLOYMENT. EMBOFF RESPONDED THAT REASONABLE LIMITS PROBABLY COULD BE FOUND FOR SUCH ITEMS, ESPECIALLY WHERE RECAPITALIZATIONS WERE BECOMING HABITUAL. HE ADDED THAT NO ONE WOULD WANT SITUATION IN WHICH HUNDREDS OF COUNTERVAILING DUTY CASES WERE BEING OPENED

EVERY YEAR. SIMEONE AGREED WITH CONCEPT OF LIMITS, BUT NOTED THAT POLITICAL PROBLEM WAS VERY GREAT. HESITATING A MOMENT, HE SAID HE SUPPOSED IT WAS NO SECRET THAT GOI SIMPLY NOT MAKING ECONOMIC POLICY DECISIONS AT PRESENT DUE TO POLITICAL SITUATION.

6. WHEN EMBOFF RAISED TWO OTHER MATTERS, EUROPEAN UNIT OF

ACCOUNT FOR COMMON EXTERNAL TARIFF CONVERSION RATE IN REGARD TO TOBACCO AND STATUS OF TALKS WITH EC COMMISSION ON STEEL, SIMEONE PLEADED INSUFFICIENT KNOWLEDGE, BUT MADE NOTEWORTHY COMMENTS NONETHELESS. WHEN EMBOFF MENTIONED TOBACCO, SIMEONE SAID HE THOUGHT EMBOFF WAS ABOUT TO REFER TO U.S. REQUEST FOR INCLUSION OF TOBACCO AND CITRUS IN EC OFFER AND THAT ANSWER IN THAT CASE WOULD BE DEFINITE NO--HE SAID (SMILING BROADLY) ITALY WOULD FIGHT TO LAST LIMITED OFFICIAL USE

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PAGE 04 ROME 08593 101807Z

MAN. IN REGARD TO STEEL, HE SAID HE THOUGHT BOTH U.S. AND EC WOULD HAVE BEEN BETTER OFF TO USE OLD FASHIONED QUOTAS RATHER THAN COMPLICATED TRIGGER AND REFERENCE PRICE SYSTEMS ON GROUNDS THAT THE MORE COMPLICATED SYSTEMS WERE TOO HARD TO ADMINISTER, WOULD FAIL TO ACHIEVE RESULTS AND ENDED IN PROMOTING EVASION. GARDNER

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